

Message Text

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ACTION EA-09

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TO SECSTATE WASHDC PRIORITY 2723

INFO AMEMBASSY BANGKOK PRIORITY

AMEMBASSY JAKARTA PRIORITY

AMEMBASSY MANILA PRIORITY

AMEMBASSY SINGAPORE PRIORITY

CINCPAC PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 KUALA LUMPUR 1376

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: PINT MY

SUBJ: MALAYSIA'S NEW CABINET

REF: KUALA LUMPUR 1252 (DTG 060505Z MAR 76)

1. SUMMARY: PRIME MINISTER HUSSEIN ONN'S NEW CABINET EMPHASIZES CONTINUITY BY RETAINING MAJORITY OF HIS PREDECESSOR'S TEAM, WHILE AT THE SAME TIME BRINGING SEVERAL SIGNIFICANT CHANGES. HE HAS SELECTED ABLE, DYNAMIC, BUT CONTROVERSIAL MAHATHIR MOHAMED AS HIS DEPUTY PRIME MINISTER TO ASSIST HIM IN LEADERSHIP TASKS AND ENSURE SMOOTH SUCCESSION SHOULD HIS OWN HEALTH FAIL. PROMOTION OF TENGKU RAZALEIGH HAMZAH FROM PETRONAS TO FINANCE MINISTRY CLIPS THE WINGS OF THIS ACTIVE AND POLITICALLY AMBITIOUS FIGURE BUT GIVES HIM SCOPE IN MORE IMPORTANT JOB UNDER GUIDANCE OF PRIME MINISTER HIMSELF, CENTRAL BANK PRESIDENT, AND FORMER DEPUTY FINANCE MINISTER, NOW FULL MINISTER WITHOUT PORTFOLIO IN PRIME MINISTER'S OFFICE. APPOINTMENT OF THREE
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"COORDINATING MINISTERS," WHO, IN ADDITION TO PERSONAL

TALENTS, ALSO REPRESENT MALAY, CHINESE AND INDIAN COMMUNITIES, MAY INDICATE FURTHER CHANGES IN THE FUTURE TO CREATE CABINET MORE IN KEEPING WITH HUSSEIN'S OWN IDEAS AND STYLE. END SUMMARY.

2. PM HUSSEIN'S ANNOUNCEMENT ON MARCH 5 OF HIS NEW CABINET AND HIS DESIGNATION OF EDUCATION MINISTER DR. MAHATHIR MOHAMED AS DEPUTY PRIME MINISTER CAME AT A DRAMATICALLY STAGED PRESS CONFERENCE IN WHICH THE NAMING OF THE DPM WAS SAVED FOR LAST. ALTHOUGH THERE WAS SERIOUS SPECULATION IN THE WEEKS LEADING UP TO MARCH 5 THAT MAHATHIR MIGHT BE NAMED DPM, DURING THE FIRST DAYS OF MARCH VIRTUALLY ALL ATTENTION HAD CENTERED ON GHAFAR BABA, THE SENIOR OF THE THREE UMNO ELECTED VICE PRESIDENTS. SOURCES CLOSE TO THE PM WHO HAD PREVIOUSLY REFUSED TO DISCUSS THE TOPIC, AS WELL AS THE PRESS, ALL SAID WITH SOME CERTAINTY THAT GHAFAR WAS THE CHOICE. SO MAHATHIR'S DESIGNATION WAS A GENUINE SURPRISE TO ALL BUT A HANDFUL OF PEOPLE. EQUALLY SURPRISING WAS THE OMISSION OF GHAFAR FROM THE NEW CABINET. IT IS ASSUMED BY MOST OBSERVERS THAT HE REFUSED TO STAY ON WITH HUSSEIN OUT OF PIQUE AT BEING TOLD ONLY AT THE LAST MINUTE THAT HE WOULD NOT RECEIVE THE DPM JOB THAT HE HAD FULLY EXPECTED.

3. IT IS GENERALLY ACCEPTED BY MALAYSIANS THAT THE DEPUTY PRIME MINISTER SUCCEEDS THE PM IN THE EVENT OF THE LATTER'S DEATH OR INCAPACITATION, AS HUSSEIN SUCCEEDED TUN RAZAK. IT APPEARS THAT HUSSEIN CHOSE MAHATHIR OVER GHAFAR BABA BECAUSE HE JUDGED THAT GHAFAR SIMPLY WAS NOT SUFFICIENTLY COMPETENT TO SUCCEED HIM OR TO ASSIST HIM AS DPM. (IT SHOULD BE REMEMBERED THAT -- PRESUMABLY FOR THE SAME REASONS -- RAZAK JUMPED HUSSEIN OVER GHAFAR WHEN DPM TUN DR. ISMAIL DIED IN AUGUST 1973.) MAHATHIR HAS A REPUTATION AS AN EXTREMELY CAPABLE MAN, HE HAS A STRONG POLITICAL BASE IN UMNO (AS ONE OF THE THREE ELECTED VP'S) AND IS CONSIDERED TO HAVE A RELATIVELY CLEAN RECORD ON CORRUPTION. WHATEVER HESITATION HUSSEIN MIGHT HAVE HAD IN CHOOSING MAHATHIR (BESIDES THE RUMORS ABOUT GHAFAR, IT IS BELIEVED THAT HUSSEIN SERIOUSLY CONSIDERED NAMING GHAZALI SHAFIE

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WHO HAS NO BASE IN UMNO) BECAUSE OF MAHATHIR'S REPUTATION AS A MALAY CHAUVINIST AND THE CONSEQUENT ANTIPATHY FELT TOWARD HIM BY SOME ELEMENTS OF THE CHINESE COMMUNITY, THIS WAS OVERRIDDEN BY HUSSEIN'S DESIRE TO GUARANTEE HIMSELF AN ABLE DEPUTY AND POSSIBLE SUCCESSOR WITH STRONG SUPPORT WITHIN UMNO. (SO FAR, THE CHINESE REACTION TO MAHATHIR'S NOMINATION HAS BEEN, IF NOT ENTHUSIASTIC, AT LEAST NOT CHARACTERIZED BY VEHEMENT OPPOSITION. THE

SMALL, PREDOMINANTLY CHINESE DEMOCRATIC ACTION PARTY HAS EXPRESSED SOME CONCERN OVER MAHATHIR'S PAST RECORD BUT HAS NOT OPENLY OPPOSED HIS SELECTION. OTHER CHINESE PARTIES OR POLITICIANS HAVE EITHER NOT COMMENTED ON OR HAVE WELCOMED MAHATHIR'S APPOINTMENT IN A PRO FORMA MANNER.)

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CINCPAC ALSO FOR POLAD

FORMA MANNER.)

4. THE APPOINT OF PETRONAS CHAIRMAN RAZALEIGH AS MINISTER OF FINANCE HAD BEEN EXPECTED. PM HUSSEIN AND FORMER PM RAZAK, PRIOR TO HIS DEATH, ARE REPORTED TO HAVE DETERMINED RAZALEIGH MUST BE REMOVED AS CHAIRMAN OF PETRONAS AS PART OF EFFORTS TO RESTORE FOREIGN INVESTOR CONFIDENCE IN MALAYSIA. (RAZALEIGH WAS INSTRUMENTAL IN PASSAGE OF THE CONTROVERSIAL PETROLEUM DEVELOPMENT (AMENDMENT) ACT, 1975) HUSSEIN PROBABLY FELT COMPELLED TO NAME RAZALEIGH TO IMPORTANT MINISTRY OF FINANCE BECAUSE OF THE LATTER'S POSITION AS ONE OF THE UMNO VP'S, ALTHOUGH THE ACTION MAY IN PART

REFLECT THE REPORTED WISH OF RAZAK, SHORTLY BEFORE HIS DEATH, THAT RAZALEIGH BE BROUGHT INTO THE CABINET IN A SENIOR POSITION. OTHERS SUGGEST THAT RAZALEIGH WAS THE MOST INTELLIGENT CANDIDATE AVAILABLE. OUR VIEW, SUPPORTED BY INITIAL CONTACTS IN FOREIGN AND DOMESTIC PRIVATE SECTOR, IS THAT AS FINANCE MINISTER, RAZALEIGH WILL HAVE
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MUCH LESS SCOPE FOR INDEPENDENT ACTION IN THE MINISTRY THAN HE PREVIOUSLY ENJOYED AS CHAIRMAN OF THE NEWLY-FORMED ORGANIZATIONS OF PETRONAS AND BEFORE THAT PERNAS. MINISTRY OF FINANCE IS STAFFED BY SKILLED PROFESSIONALS AND GOM FISCAL POLICIES AND MONETARY POLICIES (GUDED BY STRONG CENTRAL BANK GOVERNOR WHOM RAZALEIGH REPORTEDLY RESPECTS) ARE WELL ESTABLISHED. PM AND OTHERS PERCEIVE THAT THESE POLICIES HAVE SERVED MALAYSIA WELL IN PAST AND WE BELIEVE FINANCE MINISTER RAZALEIGH WILL NOT BE IN POSITION TO ALTER THEM SIGNIFICANTLY. ANY RADICAL POLICY SHIFT WOULD PRESUMABLY BRING INTO QUESTION FURTHER ACCESS TO CAPITAL RESOURCES FROM IFI'S AND MARKET ON WHICH MALAYSIA RELIES HEAVILY. IN ADDITION, HUSSEIN HIMSELF IS FORMER FINANCE MINISTER AND CAPABLE FORMER DEPUTY FINANCE MINISTER CHONG HON NYAN IS NOW IN PM'S DEPARTMENT AS FULL MINISTER WITHOUT PORTFOLIO TO ADVISE PM ON ECONOMIC AFFAIRS. AT THIS TIME FOREIGN BUSINESSMEN VIEW RAZALEIGH'S REMOVAL FROM CHAIRMAN OF PETRONAS AND APPOINTMENT TO FINANCE AS PLUS IN GOM PROGRAM TO RESTORE INVESTOR CONFIDENCE. SOME SUGGEST THAT RAZALEIGH ASSUMES THE ROLE REQUIRED BY THE OFFICE AND THAT, AS MINISTER OF FINANCE, WILL BECOME MORE MODERATE AND "RESPECTABLE." ON AT LEAST THREE OCCASIONS, RAZALEIGH HAS ACKNOWLEDGED PRIVATELY TO SMALL GROUPS OF FOREIGN BUSINESSMEN THAT HE "MADE SOME MISTAKES" AT PETRONAS, PARTLY BECAUSE OF "BAD ADVICE" RECEIVED.

5. ASIDE FROM THE APPOINTMENTS OF MAHATHIR AND RAZALEIGH, THE NEW CABINET LINEUP WAS NOT MUCH CHANGED. ALL FORMER MINISTERS (EXCEPT GHAFAR) AND DEPUTY MINISTERS WERE RETAINED, THE MINISTERS ALL IN THEIR OLD POSITIONS. NOTEWORTHY HOWEVER, IS THE REMOVAL OF DEP MINISTER ABDULLAH AHMAD (CLOSELY ASSOCIATED WITH RAZALEIGH'S POLITICAL AMBITIONS, THE PETROLEUM ACT AMENDMENT, AND THE ICA) FROM THE PM'S OFFICE TO RELATIVE EXILE IN THE MINISTRY OF SCIENCE, TECHNOLOGY AND ENVIRONMENT.

6. ONE DEPARTURE WAS THE APPOINTMENT OF THREE FULL MINISTERS (A MALAY, AN INDIAN AND A CHINESE) IN THE PM'S
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DEPARTMENT, WITH RESPECTIVE RESPONSIBILITIES FOR OPERATIONAL SECURITY, THE LEGAL ASPECTS OF SECURITY AND ECONOMICS. THIS DELIBERATE POLITICAL ACT SUGGESTS A MORE MALAYSIAN APPROACH BY THE NEW PM.

7. THE STRONG EMPHASIS ON SECURITY IN HUSSEIN'S OWN OFFICE WAS REITERATED SEVERAL DAYS AFTER THE NEW CABINET WAS ANNOUNCED DURING THE PM'S VISIT TO PERAK (SEPTEL). DURING THE PRESS CONFERENCE HUSSEIN SUGGESTED TO REPORTERS, ALTHOUGH THIS HAS NOT RECEIVED MUCH PUBLICITY, THAT HE WAS CONTEMPLATING DIVIDING THE CABINET UP INTO BROAD AREAS OF RESPONSIBILITY INCLUDING ECONOMICS AND FINANCE, LAW AND ORDER, SECURITY AFFAIRS, INFRASTRUCTURE AND FOREIGN AFFAIRS. (A LA PRESIDENT NIXON'S PLANS FOR U.S. GOVERNMENT REORGANIZATION SEVERAL YEARS AGO.)

8. THE OTHER MAJOR DEPARTURE IS THE NEW CABINET IS THE APPOINTMENT OF A NUMBER OF YOUNG POLITICIANS AND TECHNOCRATS FROM ALL PARTIES TO POSITIONS AS DEPUTY MINISTERS AND PARLIAMENTARY SECRETARIES.

9. NOTEWORTHY ALSO IS THAT THE SHIFTING OF FUNCTIONS BETWEEN MINISTRIES RESULTING IN A MORE RATIONAL ALIGNMENT.

10. COMMENT: ALTHOUGH THE ADJUSTMENTS IN THE CABINET WERE LARGE IN NUMERICAL TERMS, CHANGES IN TOP POSITIONS WERE MINIMAL, AND THE IMPACT WAS MAINLY AT THE DEPUTY MINISTER AND PARLIAMENTARY SECRETARY LEVEL WHERE THEIR CLEARLY WAS AN INFUSION OF NEW BLOOD. EFFECT HAS BEEN TO BALANCE SEMBLANCE OF MOVEMENT TO FULFILL POPULAR EXPECTATIONS OF CHANGE WITHOUT AFFECTING SUBSTANTIAL FACT OF CONTINUITY AND SMOOTHNESS OF TRANSITION BETWEEN RAZAK AND HUSSEIN ONN ADMINISTRATIONS. LOCAL OBSERVERS NOW BELIEVE THAT WITH DRAMA OF NAMING NEW DEPUTY PM AND CABINET ADJUSTMENTS BEHIND HIM WAY IS CLEARED FOR PRIME MINISTER TO PROCEED OVER THE COMING MONTHS TO MAKE ADDITIONAL INDIVIDUAL, PERHAPS BY PROMOTION OF SOME OF THE TALENTED YOUNG DEPUTY MINISTERS, AND END RESULT THAT ENTIRE CABINET TEAM WILL BEAR HIS OWN PERSONAL STAMP. TO US THE MOST IMPRESSIVE CHARACTERISTIC OF THE WHOLE TRANSFER OF POWER FROM TUN

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RAZAK TO HUSSEIN HAS BEEN THE SMOOTHNESS AND LACK OF RANCOR ASSOCIATED WITH IT, ATTRIBUTABLE NOT ONLY TO

ESTABLISHED POLITICAL TRADITIONS BUT ALSO THE CANDOR
AND LOW KEYED PRAGMATISM THE NEW PRIME MINISTER HAS
BROUGHT TO HIS OFFICE.
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